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INFO RUEHAS/AMEMBASSY ALGIERS 4342  
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RUEHTRO/AMEMBASSY TRIPOLI 0145  
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RUEHCL/AMCONSUL CASABLANCA 2765  
RUEHRC/DEPT OF AGRICULTURE WASHDC  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHDC

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STATE FOR NEA/MAG, STATE PASS USTR (BELL), USPTO (ADLIN AND ADAMS), USDOC FOR ITA/MAC/ONE (ROTH), ADVOCACY CTR (JAMES) AND CLDP (TEJTEL)

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TAGS: [EAIR](#) [ECON](#) [ECPS](#) [EINT](#) [ELAB](#) [ETRD](#) [KTEX](#) [MO](#)  
SUBJECT: MOROCCO ECONOMIC HIGHLIGHTS; FEBRUARY 2007

1. (U) The following is a round-up of recent economic developments of note in Morocco:

2. (U) Money Laundering Law Advances: Morocco's long-delayed anti-money laundering/counter terrorism finance statute was unanimously approved by members of the Justice, Legislation and Human Rights Committee in the Upper Chamber of parliament. A number of final amendments were introduced, aimed mainly at establishing "criminal intent" as a necessary precondition for prosecution. One final legislative step remains: approval by the upper Chamber as a whole. Thereafter the law will be published in the Official Gazette and will enter into force. We estimate that full implementation should occur before the end of April.

3. (U) New Boeings at RAM: Royal Air Maroc took delivery of a new Boeing 737-800 at the end of February and will receive another one in mid-March. The purchases are part of a USD 2 billion fleet upgrade covering the 2006-2013 period. RAM also took delivery of four Boeings in 2006.

4. (U) Meanwhile, expansion among low-cost airlines serving Morocco continues to grow. In 2006, Atlas Blue, the low-cost subsidiary of Royal Air Maroc, reported a 27 percent rise in revenue while carrying 902,000 passengers, double the number from 2005. Atlas Blue is pursuing a growth strategy that will see its current fleet of 6 aircraft grow to 24 by 2012. Joining Atlas Blue and other low-cost carriers Ryanair and EasyJet, Spanish low-cost airline, Spanish Clickair, announced it would begin service to Casablanca and Marrakech from Barcelona in April. In response to the low-cost competition, RAM announced it would reduce its prices on many domestic flights and continuing to offer a limited number of discounted international tickets.

5. (U) Housing Projects Aim to Curb Skyrocketing Costs: Housing Minister, Toufiq Hjira, revealed the Moroccan government is planning to build 170 new urban zones in several regions of the country in order to improve the balance between supply and demand in the housing sector, as part of the government's response to the skyrocketing cost of real estate. According to Mohamed Adil Bouhaja, President of the Association of Estate Agents in Marrakech, an insatiable European demand for Moroccan homes has greatly increased demand and prices. For example, an apartment purchased two years ago in Marrakech for 300,000 dirhams, can now be sold

for up to 900,000 dirhams. This new construction, however, will add pressure to a cement industry that is already stressed. Cement production increased over 10 percent in 2006 to 11.3 million tons. Projections call for domestic demand to reach 15.5 million tons by 2010. To meet this need, major cement factories in Morocco agreed to earmark over USD 1.18 billion in resources over the next 4 years to increase production by 5.5 million tons.

¶6. (U) Moroccan Pavilion Wins Best In Show: The Moroccan pavilion at the MAGIC Show, designed and financed by the USAID-funded New Business Opportunities program, was awarded the Best in Show prize in booth design by the show organizers. The MAGIC Show is the biggest U.S.-based trade show for textiles and apparel that occurs twice a year. The Moroccan pavilion showcased the range of Moroccan products and the significance of the U.S.-Moroccan Free Trade Agreement for U.S. importers. Several of the 11 company delegation received orders or test orders, and expectations are for total orders to exceed the USD 10 million that resulted from MAGIC 2006.

¶7. (SBU) New anti-piracy push: Abdallah Ouadghiri, head of the Moroccan Copyright Office, announced a new national anti-piracy strategy at the end of February. He outlined strict penalties, increased enforcement in large cities throughout Morocco, and plans to step up seizures of counterfeit products. Separately, Casablanca-based international trademark holders have formed a Brand Protection Group to coordinate their cooperation with the government in combating a recent epidemic of counterfeit products. (Comment: Casablanca septel will outline the group's strategy and activities to date. FCS Casablanca is

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also working with Moroccan Customs to prevent recurrence of a case where a shipment of counterfeit feminine hygiene products that violate a Proctor and Gamble trademark was cleared into Morocco. Customs subsequently seized much of the shipment, but we understand additional shipments are en route. End Comment.)

¶8. (U) Looming Electricity Crisis?: There has been much press play over the past week about an alarmist headline in the "Economist" newspaper on February 22 predicting that a "grave crisis" in electricity in coming years. The paper argued that planned investments in generating capacity are not keeping up with growth in demand, which has averaged 9 percent annually, with the result that power outages may start as early as 2008. The National Electricity Office (ONE), the ostensible source of the "Economist" report, has yet to deny the report, and Minister of Energy Boutaleb has confined his comment to observing that "there is not currently a problem with electricity supply." Sectoral experts note that the additional capacity that will come on line in the short term is limited, but that interconnections with Spain and Algeria should make up any shortfall that exists. They thus predict problems beginning in 2009. We are seeking meetings with ONE and the Energy Ministry to look into the issue further.

¶9. (SBU) Crop Update: FAS recently traveled through wheat and barley growing regions to assess the 2007 cereal crop. The assessment confirmed media, government and contact reports that the 2007 cereal crop will be down significantly from ¶2006. Although harvest will not begin until June, early, rough estimates place wheat and barley production at 4 million to 4.5 million tons, compared to 9.2 million tons for the previous year. In anticipation of the short crop and dry conditions, the GOM has eliminated the import duty on a number of feed grains and feed ingredients, and most recently lowered the import duty on wheat from 130 percent to 60 percent.

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